PRIME FRANCE REPORT 2019
France’s appeal needs little explanation, it remains Knight Frank’s number one market for lifestyle purchases and the country’s second home hotspots rank high on the wish lists of the world’s wealthy, but its appeal extends beyond its climate and cuisine. For highly mobile international buyers France offers good transport links, excellent international schools a transparent legal system and according to the UN’s World Tourism Organisation it is the most visited country when ranked by tourist arrivals – providing a ready source of rental demand.

France is now home to over 610,000 millionaires, the sixth largest concentration of any country globally according to data from GlobalData Wealth Insight. This number is forecast to increase by 22% over the next five years, meaning a new millionaire will be created in, or move to, the country every three hours between 2018 and 2023.

President Macron’s revised wealth tax, which now applies solely to real estate as opposed to all financial assets may yet boost this number further. This, combined with recent labour reforms, has done much to signal a pro-investment stance to wealthy entrepreneurs. Furthermore, with low interest rates still holding, and the ECB hinting further reductions may be on the horizon, more buyers are seeking to take advantage by leveraging their asset to minimise their tax liability.

This report offers a guide to the latest trends evident across each of our prime markets in France, we assess past performance, current market trends and look ahead at some of the transport projects and events that will shape these markets over the next five years.
France in focus

Assessing prime residential market conditions across France’s top second home destinations

There are clear signs that France’s expanding wealth population, along with improving market sentiment, is translating into stronger demand for luxury property. Paris led the charge with sales and prime prices picking up early in 2017. A year later, we saw this confidence spread to France’s regional markets, first Provence and the French Riviera, then Gascony and the French Alps.

Enquiries for French homes increased by 335% and sales by 315% in 2019 year-on-year based on Knight Frank data. This momentum and positivity has continued in 2019, with a number of record prices set in Paris and on the French Riviera in the first half of the year. Whilst Brexit and the resulting weak pound has seen UK buyers diminish, Belgian, German and Scandinavian buyers are becoming more financially savvy opting to rent their holiday home to help cover costs, but most do so without the expectation of a rental return.

The Eurostar train line to Avignon proved a game changer when it opened in 2017, putting Provence within a 6.5 hour train ride of London St Pancras. New large scale infrastructure projects in the form of the Grand Paris Project (see page 8), the upgrading of Marseille Airport as well as the planned construction of several new high-speed train lines may also influence demand and future market performance.

At 1.2% GDP growth, the IMF forecasts the French economy will outperform that of Germany, the UK, Belgium, Sweden, Switzerland and Italy in 2019.

France: Record number of sales achieved in May 2019

May 2019

A record 594,000 sales completed over previous year

Aug 2009

A low of 584,000 sales during global financial crisis

Source: French notaries

Trends

German, Scandinavian and Belgian buyers are active

Across France, northern European buyers are active, helping to offset a decline in British purchasers whose buying power has been hindered by the weak pound. Middle Eastern buyers are active in the South of France whilst Paris has seen a rise in US and South East Asian buyers.

New homes in France come with added appeal

Provided buyers adhere to certain stipulations, TVA (VAT) of 20% is refundable on newly built or off-plan properties while transfer tax is limited to 2% instead of the usual 7% for resale properties.

The informed buyer

The digital revolution means buyers have data at their fingertips. Before arranging a viewing most buyers drill down into achieved prices, rental rates and seasonal occupancy levels at a local level. Most prime markets in France remain a buyers’ market and vendors need to consider their asking price with this in mind.

Rental return

Around 70% of Knight Frank’s second home buyers in France aim to rent their property - a marked shift from a decade ago. Buyers are becoming more financially savvy opting to rent their holiday home to help cover costs, but most do so without the expectation of a high yield investment.

Leveraging up

Since September 2017 France’s wealth tax applies to real estate only (as opposed to all asset classes) and with record low interest rates on offer, many buyers are opting to take out finance to reduce their tax liability. A 70% loan to value mortgage is not unusual with rates around 2%, currently attainable.

How do prime prices in France compare? Q2 2019

<table>
<thead>
<tr>
<th>Location</th>
<th>€ per sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris</td>
<td>19,500</td>
</tr>
<tr>
<td>Nice</td>
<td>19,000</td>
</tr>
<tr>
<td>Val d’Isere</td>
<td>19,000</td>
</tr>
<tr>
<td>Cap d’Antibes</td>
<td>19,000</td>
</tr>
<tr>
<td>Saint-Tropez</td>
<td>18,000</td>
</tr>
<tr>
<td>Cap d’Ail</td>
<td>18,000</td>
</tr>
<tr>
<td>Cannes</td>
<td>18,000</td>
</tr>
</tbody>
</table>

Source: French notaries *Based on a prime (top 5% of the market) detached property in France compare?
The French Riviera

From second homes to investment purchases and from large price tags to value hunters, the French Riviera offers a surprisingly diverse mix of opportunities. The eastern end and central stretch including Saint-Jean-Cap-Ferrat, Villefranche-sur-Mer, Cannes and Cap d’Antibes saw sales strengthen in late 2017. But while activity has increased, prices have shifted by only a few percentage points.

A major conference and festival venue, Cannes is a less seasonal market and has one of the coast’s few investment markets given the city’s large stock of apartments. Prices here dipped marginally by -0.1% in the year to June 2019 but sit 6.8% higher than in 2017. To the west. Saint-Tropez’s property market cycle lags that of Cannes by a year and here there are green shoots starting to emerge, with prices rising 1% in the year to June 2019 but sit 6.8% higher than in 2017.

The French Riviera mapped...

Saint-Jean-Cap-Ferrat - The prime hotspot

For those seeking value on the coast, Juan-les-Pins and Sainte-Maxime merit attention, here a three-bedroom villa with sea views starts at around €1.2m. For those seeking value on the coast, Juan-les-Pins and Sainte-Maxime merit attention, here a three-bedroom villa with sea views starts at around €1.2m.

For more information contact Jack Harris
(+44) 20 7801 1338
jack.harris@knightfrank.com

The French Riviera: Prime price performance compared


Source: Knight Frank Research

The French Riviera:

The eastern end and central stretch including Saint-Jean-Cap-Ferrat, Villefranche-sur-Mer, Cannes and Cap d’Antibes saw sales strengthen in late 2017. But while activity has increased, prices have shifted by only a few percentage points.

The number of homes sold above €19m on the French Riviera since Jan 2018

The French Riviera:

As one of the most exclusive markets on the coast Knight Frank is proud to announce it has opened a new office at Avenue Denis Semeria, Saint-Jean-Cap-Ferrat.

Factfile

- Saint-Jean-Cap-Ferrat has more mountain shelter from the Mistral wind compared to Saint-Tropez
- There are two Michelin-starred restaurants – La Voile d’Or and Le Cap
- The small marina has around 560 berths
- Property taxes are c.7% per cent of the purchase price, including registration fees and stamp duties

The 1.3km forested peninsula is home to around 500 spacious villas on large plots and it has one of the strongest international buyer profiles on the French Riviera.

The Eastern side is home to the best beaches, the Port and the old town, it offers the widest array of amenities, whilst the west has a steeper coastline and good views.

Easily accessible, Saint-Jean-Cap-Ferrat is located within a 30-minute drive of Nice Airport and a 30-minute drive of Monaco. Price range from €2m to in excess of €200m with the most active price band currently between €5m and €10m.

The number of homes sold above €19m on the French Riviera since Jan 2018

The French Riviera:

The eastern end and central stretch including Saint-Jean-Cap-Ferrat, Villefranche-sur-Mer, Cannes and Cap d’Antibes saw sales strengthen in late 2017. But while activity has increased, prices have shifted by only a few percentage points.

A major conference and festival venue, Cannes is a less seasonal market and has one of the coast’s few investment markets given the city’s large stock of apartments. Prices here dipped marginally by -0.1% in the year to June 2019 but sit 6.8% higher than in 2017. To the west, Saint-Tropez’s property market cycle lags that of Cannes by a year and here there are green shoots starting to emerge, with prices rising 1% in the year to June 2019 but sit 6.8% higher than in 2017.

The French Riviera mapped...

Saint-Jean-Cap-Ferrat - The prime hotspot

For those seeking value on the coast, Juan-les-Pins and Sainte-Maxime merit attention, here a three-bedroom villa with sea views starts at around €1.2m.

For more information contact Jack Harris
(+44) 20 7801 1338
jack.harris@knightfrank.com

The French Riviera: Prime price performance compared


Source: Knight Frank Research

The French Riviera:

As one of the most exclusive markets on the coast Knight Frank is proud to announce it has opened a new office at Avenue Denis Semeria, Saint-Jean-Cap-Ferrat.

Factfile

- Saint-Jean-Cap-Ferrat has more mountain shelter from the Mistral wind compared to Saint-Tropez
- There are two Michelin-starred restaurants – La Voile d’Or and Le Cap
- The small marina has around 560 berths
- Property taxes are c.7% per cent of the purchase price, including registration fees and stamp duties

The 1.3km forested peninsula is home to around 500 spacious villas on large plots and it has one of the strongest international buyer profiles on the French Riviera.

The Eastern side is home to the best beaches, the Port and the old town, it offers the widest array of amenities, whilst the west has a steeper coastline and good views.

Easily accessible, Saint-Jean-Cap-Ferrat is located within a 30-minute drive of Nice Airport and a 30-minute drive of Monaco. Price range from €2m to in excess of €200m with the most active price band currently between €5m and €10m.
Paris

We look at what’s driving Paris’s prime residential market and outline the ambitious projects that lie ahead

The second, the 2014 Summer Olympics, will see the development of the Olympic Village on a riverside site in Saint-Denis. At 45 minutes from the city centre and most events will be held in and around Paris, including the suburbs of La Bougogne, Nanterre, Versailles and Vaires sur Marne.

Paris's residential market is a key bright spot globally. Few luxury residential markets can be considered a sellers’ market in today’s economic climate but since 2016 the city of lights has seen several factors coincide to boost activity.

President Macron’s pro-business stance, a regenerative commercial sector, large-scale infrastructure projects, cheap finance and constrained supply (there are very few new-build opportunities in central Paris) have boosted sentiment.

At €8,000 per sq m, prime prices in the city also compare favourably with other First-tier global cities – the equivalent in London and New York would be closer to €20,000 per sq m and €28,000 per sq m respectively. Prime prices in the French capital jumped 5% in the year to Q2 2019 and stand 23% above their lows in Q4 2015. International demand is strengthening amongst European, US and Middle Eastern buyers in particular. A US buy-to-let investor is currently able to secure a discount of nearly 14% in Paris compared to 2011 taking price changes and currency exchange into account.

Paris is the venue for two major regeneration projects. The first, the €20 billion Grand Paris Project, will be Europe’s largest development opportunity over the next ten years. A citywide initiative, the project will add 204km of new rail capacity, deliver or upgrade 86 metro and RER stations and provide a new ring route around Paris with lines connecting developing neighbourhoods (see map above).

The demand from northern Europeans is strengthening as buyers seek ‘value’ markets. For those from western and northern Europe it is an hour closer than Aix-en-Provence and three hours closer than Var yet the area offers a similar feel to Cors and Gascogne. A traditional farmhouse is attainable for €1.5m, the same property would be closer to €1.9m in the Luberon. From the French Riviera’s best addresses. Prices here have been resilient in recent years with annual growth averaging 1.5% per annum over the last five years.

The area north of the Ile-Sur-la-Sorgue stretching up to Vaison La Romaine has seen transactions strengthen since 2017 as buyers seek ‘value’ markets. For those from western and northern Europe it is an hour closer than Aix-en-Provence and three hours closer than Var yet the area offers a similar feel to Cors and Gascogne. A traditional farmhouse is attainable for €1.5m, the same property would be closer to €1.9m in the Luberon.

For more information contact Laetitia Hodson
(+44 20 7801 1083)
laetitia.hodson@knightfrank.com

For more information contact Robby Aris
(+44 20 7861 1727)
roddy.aris@knightfrank.com

Average price by arrondissement at 1 Sept 2019

<table>
<thead>
<tr>
<th>Arr</th>
<th>Price per m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>€12,817</td>
</tr>
<tr>
<td>2</td>
<td>€13,183</td>
</tr>
<tr>
<td>3</td>
<td>€14,270</td>
</tr>
<tr>
<td>4</td>
<td>€13,941</td>
</tr>
<tr>
<td>5</td>
<td>€11,657</td>
</tr>
<tr>
<td>6</td>
<td>€10,983</td>
</tr>
<tr>
<td>7</td>
<td>€9,965</td>
</tr>
<tr>
<td>8</td>
<td>€11,048</td>
</tr>
<tr>
<td>9</td>
<td>€10,551</td>
</tr>
<tr>
<td>10</td>
<td>€9,535</td>
</tr>
</tbody>
</table>

Neighbourhood watch

SoPi

Once part of Paris’s red light district, SoPi (South Pigalle) has broken free of its seedy past and evolved into one of the city’s hippest neighbourhoods. Sandwiched between the desirable 9th and 18th arrondissments and at the foot of Montmartre hill the area is home to independent boutiques, traditional bistrots and upmarket cocktail bars.

13th Arrondissement

Home to St-Remy, at 34,000 square metres the largest start-up facility in the world and the “euphoric” development of tech billionaire Xavier Niel, the 13th or Gobelins as it is known, is one of the few neighborhoods in Paris with two-storey houses rather than just apartments. The 13th offers values closer to €4,000 per sq m rather than €7,000 per sq m in the 5th.

Paris

Most active price band

C2m-C1m

PRIME PRICES Annual % change to Q2 2019

5.0%

Provence

Demand from northern Europeans is strengthening as Provence’s accessibility comes into focus

The region offers not one but two national parks – the Luberon and Alpilles – which together offer a mix of craggy hillsides, medieval villages and rolling lavender fields.

Prices for a four bed farmhouse in the Luberon sit around €1.5m to €2.5m whilst Les Alpilles pitches slightly higher at €2m to €3.5m, both still some way off the French Riviera’s best addresses. Prices here have been resilient in recent years with annual growth averaging 1.5% per annum over the last five years.

The area north of the Ile-Sur-la-Sorgue stretching up to Vaison La Romaine has seen transactions strengthen since 2017 as buyers seek ‘value’ markets. For those from western and northern Europe it is an hour closer than Aix-en-Provence and three hours closer than Var yet the area offers a similar feel to Cors and Gascogne. A traditional farmhouse is attainable for €1.5m, the same property would be closer to €1.9m in the Luberon.

For more information contact Laetitia Hodson
(+44 20 7801 1083)
laetitia.hodson@knightfrank.com

For more information contact Robby Aris
(+44 20 7861 1727)
roddy.aris@knightfrank.com
French Alps

Alpine resorts are expanding their offer to appeal to a wider demographic and lengthen their season.

The most active price band is €1.5m-€2.5m, with annual % change of 1.9%.

**Best resort for**
- Courchevel & Meribel
- Ski domain
- Access to largest ski networks
- Proximity to Airport
- Chamonix

**Summer season:**
- Strongest rental demand in the snowfall (most reliable)
- Highest resort (least affected by high snowfall witnessed in the previous season)
- The number of new-build projects has declined as planning laws have become more draconian.
- Chamonix is high on their list with les Bois, Les Houches, and Les Houches.

**Strongest rental demand in the summer season:**
- Courchevel 1850
- Courchevel 1650
- Meribel
- Megeve
- Combloux

**Top 10 reasons to buy in France**

1. **Stable prices**
   - Most of France’s prime destinations are seeing stable or rising prices – having passed the lowest point before Q2 2019.

2. **Cheap finance**
   - A low interest rate environment looks set to continue with analysts expecting the ECB to cut rates in late 2019 and a second round of QE on the cards.

3. **No.1 tourist destination**
   - Strong rental demand over 58m overseas tourists visited France in 2018.

4. **€ asset in demand**
   - A rising number of high net worth individuals from overseas are seeking a euro-denominated asset to help spread risk.

5. **Economic heavyweight**
   - France remains the Eurozone’s second largest economy and unemployment is at a 10-year low.

6. **Tax benefits**
   - France’s tax landscape is increasingly benign – wealth tax is now solely based on real estate assets and investors and entrepreneurs have been tempted back by flat rates on CGT and dividends.

7. **Accessibility**
   - France’s location offers easy access to Spain, Italy, Switzerland and Germany. Paris’s Charles De Gaulle Airport is a major transport hub and Europe’s second-largest airport.

8. **Culinary hotspot**
   - The home of the Michelin-starred restaurant – France boasts 616 in total.

9. **Excellent education**
   - France is renowned for good international schools promoting traditional values and a structured academic syllabus.

10. **Commuter base**
    - Flexible working and excellent broadband connectivity makes weekly commutes from the South of France or Paris to London, Geneva or Brussels a viable option.

For more information contact Roddy Aris
(+44 20 7801 1727)
roddyaris@knightfrank.com
NOW AVAILABLE

Exceptional properties in France